Prior Recommendations on ROE Adjustments For Revenue Neutrality Mechanisms

Jurisdiction	Company	Docket/Case	Proposed Change to Rate Structure	Cost of Capital Proposal
Arkansas	CenterPoint Energy Arkla	Docket No. 04-121-U	Load Change Adjustment Rider	Staff, Commercial Energy Users Group, Attorney General, and Arkansas Gas Consumers argue that, if Arkla proposed riders RSP, LCA, and ICR are approved, Arkla's risk would be reduced, and that a concomitant reduction in Arkla's cost of equity would be warranted.
Arkansas	CenterPoint Energy Arkla	Docket No. 04-121-U	Load Change Adjustment Rider	Attorney General witness W.B. Marcus states, "... recognizing that I already included a small risk-reducing impact of the existing weather normalization mechanism in my estimated rate of return, I would recommend a further 35-basis point adjustment for risk if the LCA were adopted."
Arizona	Southwest Gas	Docket No. G-01551A-04-0876	Conservation Margin Tracker	Southwest Gas recommends that the Commission determine the Company's cost of common equity to be 11.42 percent if its proposed conservation margin tracker ("CMT") is not adopted and 11.17 percent with adoption of the CMT. The Company's cost of capital recommendation is 9.4 percent without the CMT and 9.29 percent with the CMT
Colorado	Public Service Company of Colorado	Docket No. 05S-264G	Service and Facilities Charge	Staff witness, Trogonoski's "range for ROE was 8.75% to 9.50%. His recommendation for an ROE of 9.50% was contingent on the Commission rejecting the Company's proposal to increase the Service and Facilities Charge. If the Commission allowed the Company's proposal, then Staff would recommend an ROE of 9.25%."

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Delaware	Delmarva Power & Light Company	Docket No. 06-284	Bill Stabilization Adjustment	Delmarva witness Roger Morin recommends "the adoption of an overall return on investment of 8.08% and a rate of return on common equity of 11.0% on DP&L's natural gas delivery operations, assuming that the Bill Stabilization Adjustment ("BSA") is adopted. If the BSA adopted is not approved, I recommend the adoption of an overall return on investment of 8.20% and a rate of return on common equity of 11.25% on DP&L's natural gas dehvery operations."
Federal Energy Regulatory Commission	Texas Eastern Transmission Corporation	Docket No. CP87-312-008	Straight Fixed Variable	Texas Eastern challenges the Commission's decision to reduce the return on equity by 25 basis points. Texas Eastern submits that here the Commission failed to consider factors such as capital structure, service profile, competitive risks, operational risk, etc., in computing the appropriate return on equity. The Commission response explains that "[t]raditional MFV rate design places a pipeline's return on equity and the taxes related to that return, which are fixed costs, in the commodity component of rates. If service is not used at the level projected by the Commission, these fixed costs will not be recovered. Under a straight fixed-variable rate design, all fixed costs, including return and equity and related taxes, are included in the demand component of the rates. Thus, under an straight fixed-variable rate design the equity investor's assurance of recovery approaches that of a bondholder."
Federal Energy Regulatory Commission	Columbia Gas Transmission Corporation; Columbia Gulf Transmission Company	Docket Nos. RP91-161-011, RP92-3-000, RP90-108-016, RP91-82-008, and RS92-5-000 ; Docket Nos. RP91-160-000, RP92-2-000, RP90-107-013, and RS92-6-000	Straight Fixed Variable	The Cities believe that the failure to adjust the return on equity as a result of the change of rate design raises an issue of material fact, and that on cross examination they would have demonstrated that consistent with the Commission's determination in Transco, the returns on equity must be reduced to reflect the reduction of risk which accompanies the shift in rate design from MFV to SFV. Cities cites for example, Transcontinental Gas Pipe Line Corp., 56 FERC P61,037 (1991) (Transco), contending that the Commission imposed a 25 basis point reduction in the approved return on equity to reflect the possibility of lower risk.

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Kansas	Aquila, Inc	Docket No. 07-AQLG-431-RTS	Decoupling Mechanism	Citizen's Utility Ratepayer Board witness Andrea C. Crane stated "[i]f the KCC approves a rate design that significantly reduces the Company's risk, then a reduction to return on equity would be appropriate. If all revenue risk is eliminated, then return on equity should be reduced by 50% of the difference between my recommended cost of equity of 9.35% and the Company's cost of debt of 7.13%."
Maryland	Baltimore Gas & Electric	Case 9036	Decoupling Mechanism	The Commission required a 50 basis point reduction in return on equity in conjunction with its approval of decoupling (Rider 8) for Baltimore Gas & Electric (BGE). This finding was later reversed.
Nevada	Southwest Gas	Docket No. 04-3011	Margin per Customer Balancing Provision	Southwest's witness, Frank J. Hanley, ."..recommends an 11.75 percent cost of common equity, which recognizes Southwest is riskier than other relatively comparable local distribution companies. However, he states, if the Commission approves the proposed Margin per Customer Balancing Provision, he recommends the common equity cost rate be reduced by 25 basis points to 11.50 percent."
Tennesee	Chattanooga Gas	Docket No. 06-00175	Conservation and Usage Adjustment	Chattanooga witness, Dr. Roger A. Morin concluded that "a just and reasonable return on common equity ("ROE") for CGC at this time is 11.5%. If the Company's proposed Conservation and Usage Adjustment rider (CUA) and Pipeline Replacement Program (PRP) mechanism are approved, it is my opinion that a just and reasonable ROE for CGC is 11.0%."
United States Court of Appeals for the District of Columbia Circuit	United Distribution Companies, Petitioner v. Federal Energy Regulatory Commission, Respondent	No. 92-1485	Order 636 SFV Rate Design	"The PUCs argue that FERC should have reduced the pipelines' rate of return because the pipelines will be able to recover all of their fixed costs and return on investment through demand and reservation charges instead of facing the uncertainty of recovering a portion of their fixed costs and return through gas sales throughout the year. ...Specifically, the PUCs contend that FERC should have followed its decision in Transcontinental Gas Pipe Line Corp., ...and imposed a 25 basis point reduction in pipelines' return on equity to reflect the lower risk under SFV rate design. "

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Vermont	Green Mountain Power Corporation	Docket No. 7175; Docket No. 7176	Alternative Regulation Plan	Green Mountain Power and the Department of Public Service signed a Memorandum of Understanding agreeing that GMP's Plan "provides for regular (quarterly) rate adjustments to flow through to ratepayers increases or decreases in power costs (which make up the majority of GMP's total costs). This has the effect of shifting risk associated with varying power costs to ratepayers; in recognition of this risk shift, the Plan provides a lower return on equity."

Adjustment
primary recommendation is to reject riders, no specific numeric adjustment is provided.
0.35 adjustment to rate of return
0.25 reduction to cost of equity; 0.11 reduction to cost of capital
0.25 reduction to cost of equity

Adjustment
0.25 reduction to cost of equity; 0.12 reduction to cost of capital
0.25 reduction to cost of equity
0.25 reduction to cost of equity

Adjustment
1.10 reduction to cost of equity
0.50 reduction to cost of equity
0.25 reduction to cost of equity
0.50 reduction to cost of equity
0.25 reduction to cost of equity

Adjustment

0.50 reduction to cost of equity